

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

HB 1873 – SB 1884

March 19, 2018

SUMMARY OF ORIGINAL BILL: Requires any individual or group health benefit plan issued by any entity regulated pursuant to Title 56, in addition to any other requirement of law concerning coverage of mental health or mental illness benefits or alcoholism or drug dependency benefits, including, but not limited to, Tenn. Code Ann. § 56-7-2601 and § 56-7-2602, to provide coverage for mental health or alcoholism or drug dependency services as required by this section. Declares that nothing in this section shall be construed as a mandate that exceeds the essential health benefits requirements of 42 U.S.C § 18022(b).

Declares that the mandate to provide coverage for mental health services shall not apply with respect to a group health plan if the application of the mandate to the plan results in an increase in the cost under the plan of more than one percent.

Requires the Department of Commerce and Insurance (DCI) to implement and enforce applicable provisions of the Paul Wellstone and Pete Domenici Mental Health Parity and Addiction Equity Act of 2008, Pub. L. No. 110-343, this section, Tenn. Code Ann. § 56-7-2601, and Tenn. Code Ann. § 56-7-2602.

Requires the DCI, not later than June 1 of each year, to issue a report to the General Assembly and provide an educational presentation to the General Assembly.

Requires every health insurance carrier that issues a health benefit plan under the jurisdiction of the DCI, on or before March 1, to submit an annual report to the DCI. Prohibits the Commissioner of DCI from certifying any health benefit plan of a health insurance carrier that fails to submit all required data. Requires a certification signed by the health insurance carrier's chief executive officer and chief medical officer that affirms that the health insurance carrier has completed a comprehensive review of its administrative practices for the prior calendar year for compliance with the necessary provisions of this section, Tenn. Code Ann. § 56-7-2601, § 56-7-2602, and the Paul Wellstone and Pete Domenici Mental Health Parity and Addiction Equity Act of 2008 (Pub. L. No. 110-343).

Requires every managed care organization (MCO) participating in the TennCare program to submit an annual report to the Bureau of TennCare (Bureau) on or before March 1 of each year containing certain information on enrollees in the TennCare program. Requires the Bureau to monitor MCO claims denials for mental health or alcoholism or drug dependency benefits on the grounds of medical necessity within each classification of benefits among inpatient benefits, outpatient benefits, prescription drugs, and emergency care and to study and compare denial rates among each MCO and request additional data if significant discrepancies in denial rates are found.

The proposed legislation will take effect and apply to policies and contracts entered into or renewed on and after January 1, 2019.

FISCAL IMPACT OF ORIGINAL BILL:

Increase State Expenditures - \$117,200/FY18-19
\$215,200/FY19-20 and Subsequent Years

IMPACT TO COMMERCE OF ORIGINAL BILL:

Other Commerce Impact - Due to multiple unknown factors, the exact impact to commerce cannot be determined. It is assumed that a group health plan will not elect to provide coverage if the application of the mandate to the plan will result in a more than one percent increase in cost. However, any increase in business revenue is anticipated to exceed any increase in business expenditures.

SUMMARY OF AMENDMENT (013423): Deletes and rewrites all language after the enacting clause such that the only substantive changes are: (1) clarifies that any individual or group health benefit plan issued by a health insurance carrier regulated pursuant to Title 56, in addition to any other requirement of law concerning coverage of mental health or mental illness benefits or alcoholism or drug dependency benefits, including, but not limited to, Tenn. Code Ann. § 56-7-2601 and § 56-7-2602, must provide coverage for mental health or alcoholism or drug dependency services in compliance with the Paul Wellstone and Pete Domenici Mental Health Parity and Addiction Equity Act of 2008 (MHPAEA) (Pub. L. No. 110-343) found at 42 U.S.C. § 300gg-26 and its implementing regulations found at 45 CFR § 146.136 and 45 CFR § 147.160; (2) changes the date, from June 1 of each year to January 31, 2020, that the DCI is required to issue a report to the General Assembly; (3) deletes the provision that requires every health insurance carrier that issues a health benefit plan under the jurisdiction of the DCI, on or before March 1, to submit an annual report to the DCI; (4) deletes the provision that prohibits the Commissioner of DCI from certifying any health benefit plan of a health insurance carrier that fails to submit all required data; and (5) deletes the section pertaining to TennCare's MCOs.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Increase State Expenditures - \$39,100/FY18-19
\$71,700/FY19-20 and Subsequent Years

Assumptions for the bill as amended:

- Based on information provided by the DCI, the provisions of the proposed legislation cannot be accommodated within existing resources.

- The DCI will need one additional Actuarial and Compliance Analyst 2 position to monitor activities of all health insurers operating in the state.
- The one-time increase in state expenditures associated with the additional position is estimated to be \$3,200 (\$1,200 computer cost + \$2,000 office furniture).
- The recurring increase in state expenditures is estimated to be \$71,735 (\$49,044 salary + \$15,391 benefits + \$6,100 administrative cost + \$600 network cost + \$600 supplies).
- Due to the effective date of this legislation of January 1, 2019, the total increase in state expenditures is estimated to be \$39,068 [$\$3,200 + (\$71,735 \times 50.0\%)$] in FY18-19 and \$71,735 in FY19-20 and subsequent years.
- Based on information provided by the Department of Finance and Administration, Division of Health Care Finance and Administration, the TennCare managed care organizations can provide the required report within existing resources.
- Based on information provided by the Department of Finance and Administration, Division of Benefits Administration (Benefits Administration), Benefits Administration is currently in compliance with the proposed legislation; therefore, any fiscal impact is estimated to be not significant.
- Based on information provided by the Department of Mental Health and Substance Abuse Services, any fiscal impact is estimated to be not significant.

IMPACT TO COMMERCE WITH PROPOSED AMENDMENT:

Unchanged from the original fiscal note.

Assumptions for the bill as amended:

- Health care providers that provide mental health or alcoholism or drug dependency services will incur an increase in revenue to cover the cost of the increased coverage provided by insurance companies as a result of the proposed legislation.
- Insurance companies will realize an increase in premium revenue to cover the increased coverage.
- An exact impact to commerce cannot be determined due to unknown factors but the increase in business revenue is reasonably estimated to exceed the amount of increased business expenditures resulting from the proposed legislation.
- Declares that the mandate to provide coverage for mental health services will not apply with respect to a group health plan if the application of the mandate to the plan results in an increase in the cost under the plan of more than one percent.
- For companies to retain solvency, any increased expenditures will be less than the amount of revenues collected.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in dark ink that reads "Krista M. Lee". The signature is written in a cursive, flowing style.

Krista M. Lee, Executive Director

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